

Areas of Recurring Taxpayer Noncompliance

Returns Processing Center (RPC)

The vast majority of returns and forms sent to the Department of Revenue each year are prepared correctly, and the Department has been able to process them using the latest technology available. We receive in excess of 5 million documents to be processed. Some of those items are received with incomplete information or no basic information from the taxpayer. It then becomes the Department's responsibility to make decisions about what to do with the information or money it has received. Department strives each year to process the returns and checks more efficiently and accurately, and in less time.

To do this, the Department needs the mutual cooperation of Indiana taxpayers and their preparers to help identify where they can head off errors before they get to the Department. However, it is only fair to acknowledge that some errors are due to flaws in the Department's activities, such as misreading information.

As part of the Department's cultural change, the agency is committed to identifying and resolving internal flaws that result in filing and processing errors. The Department also is committed to providing improved online services and educating taxpayers to assist in making tax filing easier and more convenient – and as free from error risks as is feasibly possible. The following is a listing of the most common filing errors found in the tax-filing process:

Duplication of filing – Duplicate filing occurs usually when a taxpayer files a return electronically and then sends the Department a paper copy of the return, along with the payment or as an informational return. Once this duplicate filing is identified, an employee to go into the system to mark the second filing as information only to ensure accuracy.

Calculation errors – When a calculation error is detected it will cause the return to be flagged so that an employee must review the return and determine if the error is truly a calculation error, a problem with how the information was interpreted in the data capture process or if the information was placed on an incorrect form line, which may cause the columns on the tax return to total incorrectly. Once the error has been determined, the return will post properly.

Claiming credits incorrectly – It is common for a credit to be claimed when it cannot be substantiated or the proper documentation is not included with the return. This causes the credit to be denied or an employee must contact the taxpayer to provide the information.

Failure to complete a tax return or filing – When returns are received without all of the necessary information, it may generate a letter or telephone call to the taxpayer to determine how to proceed with processing the documents and any associated monies. If there is enough information to post the return, but all the lines have not been completed, then a refund cannot be issued until the required information is received from the taxpayer and processed by the Department. If a taxpayer files a return requesting a refund and fails to provide copies of W-2 forms, the taxpayer can expect to receive the tax return back with a letter requesting these forms before the return can be processed. The Department will not allow any withholding credit until all of the W-2 forms have been received.

Use of non-departmental payment coupons – The Department provides taxpayers with automation-friendly coupons, according to tax type, for many of the taxes due to the state. These coupons are preprinted

with information regarding the taxpayer name, account number, tax type and the period for which the coupon is being filed. The information about the taxpayer is included in the scan line at the bottom of the coupon and the automation-friendly equipment used to process the document and money will read the information from the scan line and post the information accordingly. If these coupons are not used correctly, or are used by a taxpayer for another account number, it will cause the return and payment to be posted to the incorrect account. Therefore, if a taxpayer does not have the correct documents for the account printed out of a software package or provided by the Department, the taxpayer will need to contact a taxpayer service representative to have the coupon replaced, or to receive instructions as to how the payment should be processed to insure proper posting.

Post-filing coupons (PFC)

For the past 10 years, the Department has worked with a number of software vendors to allow taxpayers to file individual income tax returns electronically. As a part of effort between the Department and software vendors, taxpayers can file electronically as early in the year as they prefer, yet hold on payment until the filing deadline date. Therefore, the PFC was developed according to Department standards so that automation-friendly coupons may be generated from software packages at home or by the tax preparer. This practice has become widespread during the past 10 years, but with that success has come one distinct problem: the scan line printed from the software not being printed in OCR-A Extended font. This font can be downloaded by the users, or the software vendor can hard code it into the program. However, it is a must for the Department to read the information correctly to ensure accuracy.

IT-9, extension payment vouchers – The Department asks taxpayers not to file these forms if there is no tax due, or if the taxpayer is not sending a payment. The receipt of this form without a payment, or if no payment is due, will not extend the period to file the tax return.

Failure to file the proper application and/or register with the Department – If a taxpayer has not provided the proper information to register a business, then receipt of a check or tax return will result in a representative from the Department making contact with the taxpayer.

Reporting errors – Reporting errors are received on virtually every type of tax return --including, but not limited to, income, sales, fuel, cigarette, and motor carrier tax types. Typical errors include, but are not limited to, the form not being signed, no identifying account number, the wrong form or form revision being used, missing schedules, lack of documentation, duplication of a credit or deduction, failure to calculate county tax. These errors may result in the form being returned to the taxpayer, a representative from the Department contacting the customer, a bill being generated for the amount of perceived tax due and/or the inability to post the return and or payment properly.

Quality That Counts **Spotlight**



Doug Klitzke (right), legal section chief, was recognized with a *Quality That Counts* Award in October 2006. Klitzke led his team to reduce the number of unresolved protest cases from 500 to 257.